

## Message Text

CONFIDENTIAL

PAGE 01 KHARTO 02182 01 OF 04 150747Z  
ACTION AF-10

INFO OCT-01 NEA-11 IO-13 ISO-00 EUR-12 CIAE-00 DODE-00  
PM-05 H-01 INR-10 L-03 NSAE-00 NSC-05 PA-01  
SP-02 SS-15 ICA-11 AID-05 TRSE-00 OMB-01 ACDA-12  
HA-05 EB-08 DOE-15 SOE-02 /148 W  
-----102769 150900Z /10

P R 150553Z MAY 78  
FM AMEMBASSY KHARTOUM  
TO SECSTATE WASHDC PRIORITY 7348  
INFO AMEMBASSY ABU DHABI  
AMEMBASSY CAIRO  
AMEMBASSY JIDDA  
AMEMBASSY KUWAIT  
US MISSION USUN NY 543

C O N F I D E N T I A L SECTION 1 OF 4 KHARTOUM 2182

E.O. 11652: GDS  
TAGS: ECON, EAID, EFIN, BEXP, SU  
SUBJ: PERCEPTIONS AND MISCONCEPTIONS OF SUDAN'S ECONOMIC PLIGHT

REF: A) KHARTOUM 1828 (NOTAL B) KHARTOUM A-3

1. SUMMARY: THERE IS LITTLE COMMON UNDERSTANDING AMONG ARAB GOVERNMENTS AND FINANCIAL INSTITUTIONS OF SUDAN'S ECONOMIC PROBLEMS AND THEIR SERIOUS IMPLICATIONS. IN THE WAKE OF THE 1973 WAR, THE RICH ARABS ADOPTED AND ENCOURAGED AN ACCELERATED PROGRAM TO DEVELOP SUDAN'S VAST AGRICULTURAL POTENTIAL. WHILE THESE AMBITIOUS PLANS ADDRESSED SPECIFIC SECTORIAL REQUIREMENTS, THEIR MACRO-ECONOMIC FINANCIAL IMPLICATIONS WERE NOT CAREFULLY CONSIDERED. BY 1976 DANGER SIGNS WERE RECOGNIZED, BUT IT WAS ASSUMED THAT SAUDI BOP SUPPORT WOULD BE FORTHCOMING--AN ASSUMPTION NOW OPEN TO QUESTION. AN IMF PROGRAM WITHOUT SPECIFIC COMMITMENTS FOR ADDITIONAL BOP SUPPORT FROM OTHER ARABS CANNOT BE APPEALING TO THE SUDANESE GIVEN LIMITED IMF RESOURCES AND THE MAGNITUDE OF SUDAN'S FINANCIAL REQUIRE-  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 KHARTO 02182 01 OF 04 150747Z

MENTS. RECENTLY, SUDAN'S TOP LEADERSHIP HAS BEGUN TO APPRECIATE SERIOUSNESS OF MACRO-ECONOMIC PROBLEMS AND HAS INSTITUTED REFORMS. SUDAN CAN MAKE A GOOD CASE FOR BOP SUPPORT. END SUMMARY.

2. ARAB GOVERNMENTS, INTERNATIONAL FINANCIAL INSTITUTIONS AND PRINCIPAL ASSISTANCE DONORS ALL AGREE THAT SUDAN IS

FACING CRITICAL ECONOMIC AND BALANCE OF PAYMENTS PROBLEMS. HOWEVER, THERE IS LITTLE COMMON UNDERSTANDING OF THESE PROBLEMS NOR THEIR SERIOUS DOMESTIC AND REGIONAL POLITICAL AND ECONOMIC IMPLICATIONS. SUDANESE AND ARAB VISIONS OF SUDAN AS THE "BREADBASKET" OF THE ARAB WORLD ARE BEING QUESTIONED AS THE ECONOMY IS ON THE SHOALS OF A MAJOR CRISIS. WHAT WENT WRONG? THERE ARE NO EASY SCAPEGOATS. ARAB FRIENDS SPEAK OF MISMANAGEMENT OF SUDAN'S ECONOMY. WHILE FAR FROM FAULTLESS, THE GOS IS FRUSTRATED BY ITS ARAB BENEFACTORS AND BARELY HOLDING ON. IN FACT, IN SOME AREAS OF ECONOMIC MANAGEMENT THE GOS SHOULD BE PRAISED. FROM OUR PERSPECTIVE, WE SEE A SERIES OF GOOD INTENTIONED BUILDERS, REMODELING WITH COMMON BLUEPRINTS, CLOSE TO DESTROYING THE LOAD

BEARING STRUCTURES. HOWEVER, EACH BUILDER'S PERSPECTIVE NEEDS EXAMINATION WHICH IS THE PURPOSE OF THIS CABLE.

3. THE RICH ARAB STATES, PARTICULARLY SAUDI ARABIA, WISHED TO ACCELERATE SUDAN'S DEVELOPMENT BOTH FOR POLITICAL AND ECONOMIC REASONS FOLLOWING THE OCTOBER WAR AND THE OIL PRICE EXPLOSION. THE SAUDIS HAD BOTH RESOURCES AND POLITICAL MUSCLE TO EXPAND AND PROTECT THEIR ECONOMIC, POLITICAL AND SECURITY INTERESTS. FIRST BY 1973, TWO YEARS AFTER NIMIERI HAD LUCKILY SURVIVED A COMMUNIST COUP ATTEMPT, KING FAYSAL RECOGNIZED THAT SAUDI SECURITY INTERESTS WOULD BE BEST SERVED BY ENCOURAGING DEVELOPING STABILITY IN SUDAN. CONFIDENTIAL

CONFIDENTIAL

PAGE 03 KHARTO 02182 01 OF 04 150747Z

IN ADDITION TO PROXIMITY TO SAUDI ARABIA, SUDAN IS IMPORTANT TO EGYPT'S SECURITY. THE EGYPTIANS ALWAYS HAVE PERCEIVED SUDAN TO BE VITAL FOR THEIR SECURITY. THEREFORE, SUPPORT FOR SUDAN ALSO WAS CONCEIVED AS BOLSTERING SAUDI ARABIA'S MOST IMPORTANT REGIONAL POLITICAL RELATIONSHIP WITH SADAT'S EGYPT. SECOND, IN THE WAKE OF THE ARAB OIL EMBARGO, THERE WAS (ANS IS) DISQUIETING (AND NONSENSICAL FROM A PRATICAL AND ECONOMIC POINT OF VIEW) TALK IN THE WEST OF A COUNTER FOOD EMBARGO OF THE ARAB WORLD IF THE OIL WEAPONS WERE USED AGAIN. ARAB DETERMINATION TO DEVELOP SUDAN'S VAST AGMRICULTURAL POTENTIAL HAS BEEN FUELED BY THESE THREATS. AGRICULTURAL DEVELOPMENT IN SUDAN BECAME THE ARAB EQUIVALENT OF OUR "PROJECT INDEPENDENCE." FURTHER -- AND UNLIKE THEIR EFFORTS TO SUPPORT EGYPT'S FALTERING ECONOMY -- THEY FELT THAT THEIR INVESTMENTS IN SUDAN WOULD BE PROFITABLE AND NOT BE THREATENED BY SEIZURE OR DESTRUCTION IN THE EVENT OF ANOTHER ARAB/ISRAELI CONFRONTATION. THUS, SUDAN BECAME A SPECIAL CATEGORY LDC AND BILLIONS IN INVESTMENT AND ASSISTANCE WERE PLANNED.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 KHARTO 02182 02 OF 04 150832Z  
ACTION AF-10

INFO OCT-01 NEA-11 IO-13 ISO-00 EUR-12 CIAE-00 DODE-00  
PM-05 H-01 INR-10 L-03 NSAE-00 NSC-05 PA-01  
SP-02 SS-15 ICA-11 AID-05 TRSE-00 OMB-01 ACDA-12  
HA-05 EB-08 DOE-15 SOE-02 /148 W  
-----102960 150900Z /10

P R 150553Z MAY 78  
FM AMEMBASSY KHARTOUM  
TO SECSTATE WASHDC PRIORITY 7349  
INFO AMEMBASSY ABU DHABI  
AMEMBASSY CAIRO  
AMEMBASSY JIDDA  
AMEMBASSY KUWAIT  
US MISSION USUN NY 544

C O N F I D E N T I A L SECTION 2 OF 4 KHARTOUM 2182

4. BY EARLY 1976, HOWEVER, DANGER SIGNALS WERE APPEARING DESPITE A VERY NOTABLE GROWTH PERFORMANCE IN REAL TERMS (4-5 PERCENT ANNUALLY) AND SUBSTANTIAL PROGRESS IN BUILDING UP SUDAN'S TRANSPORTATION INFRASTRUCTURE, THE PRINCIPAL ECONOMIC BOTTLENECK. WHILE ASSISTANCE COMMITMENTS WERE CONTINUING AT ABOUT A 250 MILLION DOLLAR ANNUAL RATE, DISBURSEMENTS HAD FALLEN TO ABOUT ONE THIRD OF COMMITMENTS. SUDANESE FINANCIAL AUTHORITIES NATURALLY INTERPRETED THIS DECLINE AS TEMPORARY. THEIR RESPONSE WAS TO SUBSTANTIALLY INCREASE EXTERNAL EOMMERCIAL BORROWING TO COVER THE GAP BETWEEN RECEIPTS AND DEVELOPMENT EXPENDITURES. ALREADY, THE IMF WAS BECOMING ALARMED. THERE WAS A GENERAL RECOGNITION OF DEVELOPING PROBLEMS SYMBOLIZED BY THE FORMATION OF A CONSULTATIVE GROUP FOR THE SUDAN WHICH MET IN PARIS IN NOVEMBER 1976. MOST PARTICIPANTS AT THIS MEETING, CHAIRED BY THE IBRD, PRAISED THE DIRECTION OF SUDAN'S ARAB SUPPORTED DEVELOPMENT PLANS. HOWEVER, CAUTIONARY NOTES WERE SOUNDED ABOUT DEBT MANAGEMENT AND SUDAN WAS ENCOURAGED ONLY TO UNDERTAKE NEW DEBT ON CONCESSIONARY TERMS. APPARENTLY, THE  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 KHARTO 02182 02 OF 04 150832Z

CHANGED STRUCTURE OF ASSISTANCE BEING GRANTED TO SUDAN WAS NOT RECOGNIZED. IN RETROSPECT, MUCH OF THE DECLINE IN

ASSISTANCE DISBURSEMENTS WAS A FUNCTION OF DONORS SHIFTING FROM PROGRAM TO PROJECT ASSISTANCE. IT WAS NOT REALIZED BY MOST PARTICIPANTS, OR AT LEAST ACKNOWLEDGED, THAT BECAUSE OF THE HEAVY MARGINAL PROPENSITY TO IMPORT FROM LOCAL PROJECT EXPENDITURES THAT DEMANDS ON THE BALANCE OF PAYMENTS AND SUDAN'S NARROW EXPORT BASE WERE INCREASING BECAUSE OF FOREIGN ASSISTANCE.

5. THE IMF AND THIS EMBASSY HAVE EXPLICITLY ASSUMED SINCE AT LEAST 1976 THAT SUDAN'S ACCELERATED ECONOMIC DEVELOPMENT WOULD REQUIRE BOP ASSISTANCE FOR A NUMBER OF YEARS AND THAT SAUDI ARABIA WOULD BE ITS PRINCIPAL SOURCE. THE LATTER HALF OF THAT ASSUMPTION IS NOW OPEN TO QUESTION. WE HAVE NO INDICATION THAT SUDAN'S LIQUIDITY REQUIREMENTS ARE WELL UNDERSTOOD BY THE SAUDIS, KUWAITIS AND OTHER ARAB DONORS. THEY HAVE NOT BEEN NIGGARDLY. THEY ARE PROVIDING AND COMMITTING SUBSTANTIAL RESOURCES TO SUDAN. WE ESTIMATE 1977 COMMITMENTS TO SUDAN OF ABOUT 800 MILLION DOLLARS. AID COMMITMENTS FROM ALL DONORS WERE ABOUT 250 MILLION DOLLARS. ARAB INVESTMENT COMMITMENTS PROBABLY WERE ABOUT 350 MILLION DOLLARS INCLUDING 200-250 MILLION FOR THE KENANA SUGAR PROJECT. WE ROUGHLY ESTIMATE THAT FOR THE LAST THREE YEARS OTHER ARABS HAVE BEEN PURCHASING ABOUT 200 MILLION DOLLARS OF MILITARY EQUIPMENT FOR SUDAN ANNUALLY. HOWEVER, LITTLE BOP SUPPORT HAS BEEN FORTHCOMING SINCE MARCH 1976 WHEN SAMA DEPOSITED 150 MILLION DOLLARS WITH THE BANK OF SUDAN.

6. VARIOUS DONORS ARE NARROWLY LOOKING AT PROJECTS, INVESTMENTS AND MILITARY REQUIREMENTS WITHOUT CONSIDERING BROADER MACRO-ECONOMIC ASPECTS OF THEIR RESOURCE FLOWS. LOCAL PROJECT EXPENDITURES FOR INVESTMENTS AND FOR MILITARY  
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 KHARTO 02182 02 OF 04 150832Z

EQUIPMENT HAVE THE SAME TYPE OF NEGATIVE BALANCE OF PAYMENTS IMPACT AS THE PROJECT ASSISTANCE EXPENDITURES DESCRIBED IN PARA 4. THIS CRITICISM DOES NOT DEMEAN THE ABILITIES OF VARIOUS ARAB DONOR INSTITUTIONS. THEY HAVE EXPLICITLY IDENTIFIED PHYSICAL INFRASTRUCTURE PROBLEMS IN SUDAN AND DESIGNED PROJECTS AND INVESTMENTS IN THAT LIGHT. HOWEVER, THEIR SECTORIAL CALCULATIONS HAVE NOT ALLOWED FOR THE MACRO-ECONOMIC LIQUIDITY REQUIREMENTS OF THE ECONOMY.

7. GENERALLY, INTERNATIONAL DEVELOPMENT ASSISTANCE ORGANIZATIONS HAVE CONTRIBUTED TO SUDAN'S BALANCE OF PAYMENTS PROBLEM IN THE SAME WAY AS THE ARAB DONORS AND INVESTORS. FOR EXAMPLE, THE IBRD HAS FOUND THAT IT CAN MULTIPLY ITS PROJECT INVOLVEMENT IN SUDAN AND GAIN LEVERAGE FOR ITS LIMITED FINANCIAL RESOURCES BY CO-FINANCING. ONCE THE IBRD HAS PUT ITS STAMP OF APPROVAL ON

A PROJECT AND IS WILLING TO PROVIDE 10-20 PERCENT OF COSTS, LITTLE DIFFICULTY HAS BEEN ENCOUNTERED IN FINANCING THE REMAINDER. IN THIS SENSE, THE IBRD HAS ACCEPTED THE ARAB CONCEPT OF "ACCELERATED DEVELOPMENT FOR SUDAN." THE FAO SOON WILL START TO PROVIDE THE SAME SORT OF LEAVEN FOR PROJECT EXPENDITURES AS "TRUST FUND" PROJECTS ALREADY FUNDED ARE STARTED. IN A MORE LIMITED WAY, THE UNDP ALSO CONTRIBUTES. UNDP TECHNICAL ASSISTANCE FUNDING WAS CUT ON WORLDWIDE BASIS. IN ORDER TO AVOID CURTAILMENT OF ONGOING UNDP TECHNICAL ASSISTANCE, THE GOS FOR THE LAST TWO YEARS HAS HAD TO PROVIDE ADDITIONAL LOCAL CURRENCY GRANTS TO THE UNDP. ALTHOUGH THESE CONTRIBUTIONS ARE IN LOCAL CURRENCY, THEY INCREASE IMPORT REQUIREMENTS. AT THE COUNTRY LEVEL THE LEADERSHIP OF BOTH THE IBRD AND THE UNDP RECOGNIZE THE MACRO-ECONOMIC LIQUIDITY PROBLEM, BUT ARE UNABLE TO HELP ALTHOUGH THERE IS SOME DISCUSSION OF AN IBRD COMMODITY IMPORT PROGRAM OF MODEST DIMENSIONS WHICH MIGHT BE POSSIBLE IF LINKED TO AN IMF REFORM PROGRAM.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 KHARTO 02182 03 OF 04 150857Z  
ACTION AF-10

INFO OCT-01 NEA-11 IO-13 ISO-00 EUR-12 CIAE-00 DODE-00  
PM-05 H-01 INR-10 L-03 NSAE-00 NSC-05 PA-01  
SP-02 SS-15 ICA-11 AID-05 TRSE-00 OMB-01 ACDA-12  
HA-05 EB-08 DOE-15 SOE-02 /148 W  
-----103069 150858Z /10

P R 150553Z MAY 78  
FM AMEMBASSY KHARTOUM  
TO SECSTATE WASHDC PRIORITY 7350  
INFO AMEMBASSY ABU DHABI  
AMEMBASSY CAIRO  
AMEMBASSY JIDDA  
AMEMBASSY KUWAIT  
US MISSION USUN NY 545

C O N F I D E N T I A L SECTION 3 OF 4 KHARTOUM 2182

8. AN IMF REFORM PROGRAM INCLUDING DEVALUATION, MONETARY AND FISCAL RESTRAINT AND VARIOUS AGRUCULTURAL EXPORT INCENTIVE REFORMS GENERALLY HAS BEEN REGARDED AS THE PROPER RESPONSE TO SUDAN'S LIQUIDITY PROBLEM. VARIOUS ARAB DONORS MAY HAVE BEEN ENCOURAGED NOT TO GRANT BOP SUPPORT UNLESS AN IMF PROGRAM IS ADOPTED. HOWEVER, WE SENSE THAT THERE MAY BE A VERY SUBSTANTIAL PERCEPTUAL

GAP BETWEEN THE IMF, ON THE ONE HAND, AND THE SAUDIS AND KUWAITIS. THE POLICIES AND AVAILABLE RESOURCES OF THE IMF ARE AIMED AT EQUILIBRIUM. THE IMF VIEWS THE ARAB OBJECTIVE OF "ACCELERATED ECONOMIC GROWTH FOR SUDAN" (AS DESCRIBED IN PARA 3) AS AN ARAB POLITICAL OBJECTIVE AND NOT ECONOMICALLY JUSTIFIED. AVAILABLE ADDITIONAL IMF RESOURCES (ABOUT 100 MILLION FROM JANUARY 1978 TO JULY 1979) ARE A DROP IN THE BUCKET WHEN COMPARED WITH OTHER FLOWS (ASSISTANCE, INVESTMENT AND MILITARY EQUIPMENT). THE IMF AND COMMERCIAL CREDITORS ARGUE THAT AN IMF STANDBY WILL HAVE LEVERAGE AND YIELD ADDITIONAL COMMERCIAL CREDITS AND ASSISTANCE FROM SAUDI ARABIA, KUWAIT AND ARAB FINANCIAL INSTITUTIONS. UNDOUBTEDLY, CONFIDENTIAL

CONFIDENTIAL

PAGE 02 KHARTO 02182 03 OF 04 150857Z

THERE WILL BE SOME LEVERAGE. BUT, WE DOUBT WHETHER ARAB STATES HAVE CONDITIONED BOP SUPPORT UPON ACCEPTANCE OF AN IMF PROGRAM OR MADE ANY SPECIFIC MULTI-YEAR COMMITMENTS FO BOP SUPPORT. IF THEY HAVE, WE DON'T THINK THEY HAVE INFORMED THE SUDANESE. WE NOW ESTIMATE THAT SUDAN'S ACCUMULATED ARREARAGES COULD BE IN THE RANGE OF 400-600 MILLION DOLLARS WITH A RECOGNIZED ADDITIONAL MULTI-YEAR BOP SUPPORT REQUIREMENT OF AT LEAST 250-300 FOR THE NEXT FIVE TO TEN YEARS IF THE ACCELERATED DEVELOPMENT STRATEGY IS PURSUED. BOP ASSISTANCE OF THIS MAGNITUDE PROBABLY WILL BE REQUIRED FOR A FEW YEARS EVEN WITH AN IMF PROGRAM AND RESTRICTED DEVELOPMENT. IN THIS CONTEXT --LIMITED IMF RESOURCES AND NO SPECIFIC BOP COMMITMENTS FROM RICH ARAB STATES -- IT IS DIFFICULT TO IMAGINE HOW AN IMF REFORM PACKAGE CAN HAVE MUCH APPEAL TO THE SUDANESE EVEN WITHOUT CONSIDERING TECHNICAL ARGUEMTNS FOR REFORM AND DOMESTIC POLITICAL CONSEQUENCES.

9. AS PREVIOUSLY REPORTED, THE GOS ITSELF HAS HAD PROBLEMS IN UNDERSTANDING ITS OWN ECONOMIC PROBLEMS AND IS HESITANT FOR A VARIETY OF REASONS TO FULLY DISCLOSE THE SERIOUSNESS OF ITS PROBLEMS TO CREDITORS AND INTERESTED ARAB GOVERNMENTS. UNDENIABLY, THERE IS SUBSTANTIAL SCOPE FOR IMPROVED ECONOMIC MANAGEMENT. HOWEVER, IN COMPARISON WITH MOST OTHER LDC'S ANS SOME OF ITS RICHER NEIGHBORS, SUDAN'S ECONOMY HAS BEEN RELATIVELY WELL MANAGED. THE MOST GLARING ERROR HAS BEEN IN TRYING TO DEVELOP AN EXPORT SUGAR INDUSTRY. HOWEVER, EXTERNAL ADVICE AND MANAGEMENT PLAYED A LARGE PART IN THIS MISTAKE. SUBSTANTIAL PROGRESS HAS BEEN MADE IN CONTROLLING NEW OBLIGATIONS OF FOREIGN DEBT AND ALLOCATING AVAILABLE FOREIGN EXCHANGE OVER THE PAST SEVERAL YEARS. STRINGENT IMPORT REGULATIONS AND FOREIGN EXCHANGE CONTROLS HAVE SQUEEZED THE IMPORT BILL. CONFIDENTIAL

CONFIDENTIAL

PAGE 03 KHARTO 02182 03 OF 04 150857Z

PRACTICALLY NO LUXURIES ARE IMPORTED  
AND THE PERCENTAGE OF CONSUMER GOODS IMPORTS HAS CONSISTENTLY  
DECLINED. IMPORT LIMITATION PROBABLY HAS BEEN TOO STRICT  
IN THAT DEVELOPMENT PROJECTS WERE GIVEN HIGHER PRIORITY  
THAN ITMES SUCH AS SPARE PARTS REQUIED FOR THE CONTINUED  
SMOOTH ECONOMIC OPERATIONS. THE CENTRAL BANK HAS DONE  
A SUPERB JOB IN PLACATING FOREIGN CREDITORS WHILE IT  
HAD NEGATIVE RESERVES FOR THE LAST TWO YEARS. BU ITS  
OPTIONS ARE NOW EXHAUSTED.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 KHARTO 02182 04 OF 04 150847Z  
ACTION AF-10

INFO OCT-01 NEA-11 IO-13 ISO-00 EUR-12 CIAE-00 DODE-00  
PM-05 H-01 INR-10 L-03 NSAE-00 NSC-05 PA-01  
SP-02 SS-15 ICA-11 AID-05 TRSE-00 OMB-01 ACDA-12  
HA-05 EB-08 DOE-15 SOE-02 /148 W  
-----103023 150859Z /10

P R 150553Z MAY 78  
FM AMEMBASSY KHARTOUM  
TO SECSTATE WASHDC PRIORITY 7351  
INFO AMEMBASSY ABU DHABI  
AMEMBASSY CAIRO  
AMEMBASSY JIDDA  
AMEMBASSY KUWAIT  
US MISSION USUN NY 546

C O N F I D E N T I A L SECTION 4 OF 4 KHARTOUM 2182

10. ONLY WITHIN THE LAST NINE MONTHS HAVE WE PERCEIVED  
THAT SUDAN HAS FINALLY COMPREHENDED THE MACRO-ECONOMIC  
DIMENSIONS OF ITS PROBLEMS. ONE MINISTER OF FINANCE WAS  
REMOVED LAST FALL WHEN HE PROPOSED DRACONIAN MEASURES  
(INCLUDING AN IMF PROGRAM) WHICH IN NIMEIRI'S EYES  
FIRGHTENED THE CABINET. NIMEIRI HIMSELF TOOK THE FINANCE  
PORTFOLIO AND SOON LEARNED THAT ADDITIONAL PROJECTS WOULD  
ONLY COMPLICATE EXISTING PROBLEMS. WE HAVE INDICATIONS  
THAT THE NEW MINISTER OF FINANCE IS ENACTING SOME OF THE  
REFORMS PROPOSED IN THE IMF PACKAGE. SINCE JANUARY THERE  
HAVE BEEN VIRTUALLY NO APPROVALS OF EXTRA-BUDGETARY  
EXPENDITURES AND SUDAN HAS COME CLOSE TO ACHIEVING

MONETARY EXPANSION GOALS INCLUDED IN THE IMF PROGRAM. A  
CRUCIAL TEST WILL BE THE BUDGET FOR THE UPCOMING FISCAL  
YEAR NOW UNDER PREPARATION. IT WILL BE AUSTERE AND FOR  
THE FIRST TIME INCLUDE DEVELOPMENT EXPENDITURES ON A  
DISBURSEMENT BASIS. WE UNDERSTAND FROM THE GOVERNOR OF  
THE CENTRAL BANK THAT VIRTUALLY NO NEW PROJECTS WILL  
BE ALLOWED TO START UNLESS THEY HAVE FULL FOREIGN  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 KHARTO 02182 04 OF 04 150847Z

FINANCING. GIVEN DEVELOPMENT'S IMPORTANCE AS ONE  
OF NIMEIRI'S PRINCIPAL CLAIMS FOR DOMESTIC SUPPORT AND  
PRESSING REQUIREMENTS IN MANY AREAS -- THE BUDGET APPROVAL  
PROCESS WILL BE A DIFFICULT TEST. LABOR UNREST CAUSED  
BY SEVERAL YEARS OF HIGH INFLATION AND FROZEN WAGES  
PROBABLY WILL FORCE THE GOVERNMENT TO ALLOW MONETARY  
EXPANSION AT A FASTER RATE THAN DESIRED BECAUSE PUBLIC  
SECTOR WAGE INCREASES SEEM UNAVOIDABLE. AT THIS POINT,  
THE NECESSITY OF REFORM IS RECOGNIZED, BUT THE PACKAGE  
PROPOSED BY THE IMF APPEARS NEITHER ECONOMICALLY NOR  
POLITICALLY POSSIBLE WITHOUT A MUCH GREATER INFUSION  
OF RESOURCES.

11. SUDAN CAN BE MADE A GOOD CASE FOR BOP SUPPORT.  
BERGUS

CONFIDENTIAL

NNN



## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** REPORTS, ECONOMIC CONDITIONS, FOREIGN POLICY POSITION, INTELLIGENCE ASSESSMENTS, BRIEFING MATERIALS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 15 may 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978KHARTO02182  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780204-1163  
**Format:** TEL  
**From:** KHARTOUM  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1978/newtext/t19780559/aaaabxyw.tel  
**Line Count:** 414  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 748a1c9f-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION AF  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 8  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 78 KHARTOUM 1828, 78 KHARTOUM A-3  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 28 apr 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2691346  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** PERCEPTIONS AND MISCONCEPTIONS OF SUDAN'S ECONOMIC PLIGHT  
**TAGS:** ECON, EAID, EFIN, BEXP, SU  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/748a1c9f-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014